

REPRESENTATIVE DRIEHAUS OFFERS LEGISLATION TO PROTECT LOCAL GOVERNMENTS FROM RISKY AND FRAUDULENT FINANCIAL TRANSACTIONS

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WASHINGTON, DC—Representative Steve Driehaus today announced that he has introduced legislation that would establish regulations for professionals providing financial advice to local governments. The Municipal Financial Advisors Regulation Act (HR 2550) would bring professional standards to an area of public finance that is not currently subject to formal rules. The legislation would aim to ensure local governments are receiving sound financial advice and are protected from excessively risky or fraudulent transactions that could threaten the municipality's financial security.

“At a time when local governments are struggling to provide basic services, we need to ensure that they don't fall victim to the same fraudulent financial practices that led to this economic crisis. There are currently no rules governing municipal financial advisors, and no oversight of financial transactions that could put municipalities at risk. My legislation would put in place common-sense rules to establish professional standards and hold municipal financial advisors accountable to their clients,” said Rep. Driehaus.

Rep. Driehaus's legislation would set terms requiring municipal financial advisors to register with the Securities and Exchange Commission (SEC), and would define a municipal financial advisor (MFA) as a professional who provides advice to municipalities on bond issuance, the investment of bond proceeds and financial contracts, such as interest rate swaps; brokers investment products for municipalities; and serves as a placement agent for municipal securities. Legal advisors and certain other professionals who interact with municipalities would be exempted from the new registration requirement.

The bill would also prohibit certain transactions for municipal financial advisors, and mandate fiduciary responsibility for municipal financial advisors toward their clients. The legislation would empower the SEC to write rules governing the conduct of MFAs, conduct regular exams and impose sanctions.

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